

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **August 10, 2004**

AGENDA ITEM NO.: 3

CONSENT: **X**

REGULAR:

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE: **Refinancing Regional Radio System Lease Revenue Bonds**

RECOMMENDATION: Adopt the attached resolution authorizing the City Manager to execute the necessary bond documents on behalf of the City of Lynchburg to refinance the lease revenue bonds issued by the Central Virginia Radio Communications Board for the regional radio system.

SUMMARY: In May, 1996, the City of Lynchburg along with Bedford County, the City of Bedford, and Amherst County entered into an intergovernmental agreement to create the Central Virginia Radio Communications Board (Board). This Board served as the vehicle that issued \$9,931,000 of lease revenue bonds through the Industrial Development Authority for the Town of Amherst to finance the regional radio system. Although the Board oversees the operation of the regional radio system through the intergovernmental agreement, the Board cannot incur any indebtedness without the approval of the participating jurisdictions. With the decline in interest rates, refinancing the remaining \$5.3 million balance of the original loan over the next seven years at a rate of 3.3% compared to the original interest rate of 5.72% will result in annual savings of approximately \$181,000 for all the participating jurisdictions. The City's share of the annual savings will be approximately \$60,000. Accordingly, the attached resolution is being presented to the participating jurisdictions to authorize the refinancing of the current loan. The expected closing date on the refinancing is August 19, 2004.

PRIOR ACTION(S): August 3, 2004, Finance Committee recommends approval.

FISCAL IMPACT: Estimated annual savings of \$60,000 to E-911 Special Revenue Fund.

CONTACT(S): Michael W. Hill, Director of Financial Services 455-4218

ATTACHMENT(S): Resolution

REVIEWED BY: lkp

**A RESOLUTION APPROVING A PLAN OF REFINANCING
WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE TOWN OF AMHERST, VIRGINIA, OF THE BONDS
PREVIOUSLY ISSUED TO FINANCE THE ACQUISITION,
CONSTRUCTION AND EQUIPPING OF A RADIO
COMMUNICATIONS SYSTEM**

WHEREAS, the counties of Amherst and Bedford, Virginia, and the cities of Bedford and Lynchburg, Virginia (collectively, the “Local Jurisdictions”), each have the power to establish a communications system to serve their fire, police, emergency and other communications needs; and

WHEREAS, the City Council (the “Council”) of the City of Lynchburg (the “City”), has determined previously, in conjunction with the respective Boards and Councils of the other Local Jurisdictions, that it is in the best interest of all such parties to cause certain common facilities relating to a communications system (the “Project”) to be acquired, constructed and equipped to serve the fire, police, emergency and other communication needs of the Local Jurisdictions; and

WHEREAS, pursuant to Section 15.1-21 of the Code of Virginia of 1950, as amended, the Local Jurisdictions have determined previously to exercise jointly their powers with respect to the Project; and

WHEREAS, the Industrial Development Authority of the Town of Amherst, Virginia (the “Authority”), has the power under the Industrial Development and Revenue Bond Act, Chapter 33 of Title 15.1 of the Code of Virginia of 1950, as amended, to finance facilities for the use of counties, cities and other governmental organizations; and

WHEREAS, the City has previously entered into an Intergovernmental Agreement dated as of May 1, 1996, with the other Local Jurisdictions in order to specify the relative rights, duties, responsibilities and obligations of the Local Jurisdictions between and among themselves; and

WHEREAS, the City has previously entered into a Lease Agreement between the Local Jurisdictions and the Authority (the “Lease Agreement”), conveying to the Local Jurisdictions a leasehold interest in the Project; and

WHEREAS, the Authority has previously issued its \$9,931,000 Lease Revenue Bonds (the “Prior Bonds”) to finance the Project; and

WHEREAS, there has been presented to the Council a plan for refinancing the Prior Bonds as outlined in the term sheet of SunTrust Bank (the “Bank”); and

WHEREAS, the Council desires that the Authority refinance the costs of the Project by issuing its lease revenue note in an aggregate principal amount not to exceed the outstanding amount of the Prior Bonds (the “Note”); and

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LYNCHBURG,
VIRGINIA:**

1. The plan for financing the Project is approved and the Authority is requested to issue the Note as provided herein, such approval constituting the approval needed pursuant to Section V3. of the Intergovernmental Agreement. The approval of the plan for financing shall include any similar plan for financing (whether with the Bank or other entity) so long as such plan is approved by the Fiscal Agent, as defined below, and the rate of interest does not exceed 4.00%. The City of Lynchburg, as Fiscal Agent, is instructed to take all action needed under the Intergovernmental Agreement in connection with the issuance of the Note.

2. The Project is hereby declared to be essential to the efficient operation of the City, and the Council anticipates that the Project will continue to be essential to the operation of the City during the term of the Lease Agreement. The Council, while recognizing that it is not empowered to make any binding commitment to make appropriations beyond the current fiscal year, hereby states its intent to make annual appropriations in future fiscal years in amounts sufficient to make all payments under the Lease Agreement and hereby recommends that future Councils do likewise during the term of the Lease Agreement.

3. The City Manager is authorized and directed to execute or approve any documents necessary in connection with the issuance of the Note, including an amendment to the Lease Agreement.

4. The City Manager, the City Treasurer and City Attorney and all other officers of the City are hereby authorized and directed to work with representatives of the Authority, its counsel, and Hunton & Williams, LLP, as bond counsel, to perform all services and prepare all documentation necessary in connection with the issuance of the Note.

5. All other acts of the officers or representatives of the City that are in conformity with the purposes and intent of this resolution and in furtherance of the plan of refinancing, the issuance and sale of the Note are hereby approved and ratified.

6. This resolution shall take effect immediately.

Adopted:

Certified:

Clerk of Council

105LRes

IDA of the Town of Amherst, Virginia Proposed Terms and Conditions

General Structure: Listed below is an outline of the significant terms and conditions of SunTrust's proposal.

Borrower: Industrial Development Authority of the Town of Amherst, Virginia (the "Authority")

Amount: Up to \$5,300,000

Facility: Tax Exempt, Bank Qualified Refunding Note (the "Note")

Purpose: To advance refund existing Central Virginia Radio Communications Lease Revenue Bond, Series 1996. The original Bond financed the acquisition and installation of radio communications equipment servicing the Central Virginia region (which includes the Cities of Lynchburg and Bedford, Virginia and the Counties of Amherst and Bedford, Virginia).

Security:

- Assignment of the Lease Agreement between the Authority and the participating localities;
- Lien on the equipment being financed.

Final Maturity: Up to seven (7) years from the date of closing.

Interest Rate:

Tax Exempt, Bank Qualified Pricing

	Current Rate
Fixed Rate	*3.30%
<i>Upfront Costs</i>	
Structuring Fee	\$1,500
Accrual basis shall be 30/360 days	

**This rate will be held through August 20, 2004.*

Interest Due: Semi-annually, in arrears.

Amortization: The Note will be fully amortized over a 7-year level debt structure with principal payments made semi-annually, in arrears.

Optional Redemption: The Authority will have the ability to prepay the Note after the 4th anniversary date at par plus accrued interest.

IDA of the Town of Amherst, Virginia Proposed Terms and Conditions

- Closing Dates:** At the convenience of the Authority, but in no instance later than August 20, 2004 without the express consent of SunTrust.
- Escrow of Funds:** The IDA will draw the full amount at closing to be held in escrow by SunTrust's Corporate Trust Department until the existing bonds are retired. Excess earnings on the escrow will inure to the benefit of the IDA. Fees, if any, will be negotiated.
- Documentation:**
- - Note between SunTrust and the Authority;
 - Receipt and satisfactory review of the Lease Agreement and Intergovernmental Agreement between the Authority and the participating localities;
 - Annual receipt of the audited comprehensive annual financial statements from each participating locality within 150 days of fiscal year end;
 - Statement of no material, adverse change in the financial condition of the participating localities from that reported in fiscal 2003;
 - Others as required by Bond Counsel.
- Legal Fees and Transaction Costs:** The Authority will pay all fees and expenses of the transaction including but not limited to reasonable fees and expenses of its counsel. In order to reduce the Authority financing costs, SunTrust would not anticipate using outside Bank Counsel.
- Legal Opinions:** The Authority's Counsel or Bond Counsel will give the customary opinion as to authorization, validity, permits and other matters requested by the Bank. A satisfactory opinion of recognized bond counsel as to bank qualification and the exclusion of interest from gross income for Federal and State income taxes would be necessary at or prior to closing.
- General Covenants:**
- Timely payment of principal and interest when due.
- Acceptance of Proposal:** Annual receipt of the Authority's financial statements and annual receipt of the CAFRs from each participating locality.
Acceptance of SunTrust's proposal should be directed to any of the following.

Dennis Howard
(434) 847-2356

Tim Cecil
(804) 782-5219

IDA of the Town of Amherst, Virginia
Proposed Terms and Conditions

Submitted by:

Dennis R. Howard
Senior Vice President
SunTrust Bank